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OMB ISSUES INTERNAL CONTROL GUIDELINES AS ANOTHER STEP TOWARD  
BETTER MANAGEMENT

In another move designed to bring sound, businesslike management to Government, Joseph R. Wright, Jr., Deputy Director of the Office of Management and Budget, today announced new guidelines that agencies will use to tighten their internal control systems.

The new OMB guidelines are an important part of the President's REFORM '88 program to strengthen management and administrative systems of the Federal Government. REFORM '88 is being coordinated by OMB, with oversight provided by the Cabinet Council on Management and Administration. This active, high priority effort has already achieved the following:

- In September OMB issued audit followup standards to Federal managers to enhance implementation of audit recommendations;
- OMB announced elimination or consolidation of over 2,000 government publications, at a \$21 million saving;
- Agencies were directed to improve their cash management practices, to make wiser use of cash resources;
- Progress in increasing collections of debts owed the government and in reducing the rate of growth of debts was announced by OMB in December;
- A new Inspectors General Report released in December showed an additional \$5.7 billion in savings and improved use of funds for the last half of fiscal 1982.

"Internal controls," Wright said, "are a way of life in the private sector--and are way overdue for the Federal government. We are finally beginning to make some real headway in improving our management systems and operating more like a business, but we have a long way to go."

He added that these guidelines "will get at the problem of fraud, waste and abuse by prevention, not by after-the-fact detection. We hope to head off problems before they occur, by putting tight control systems in place in the agencies."

Wright cited a number of cases where weak internal controls resulted in foul-ups that were caught later, only by chance:

- Housing authorities drew Federal funds long before needed, resulting in unnecessary interest costs to Treasury of \$40 million.
- CETA workers were paid by both the Labor Department and by the local government carrying out the program, for an extra cost of \$872,000.
- Missing control totals allowed computers to pay benefit checks in excess of the amounts due, and to persons long since dead.

Under the new guidelines, agencies will have to ensure that internal control systems are established consistent with the Comptroller General's standards; assess the vulnerability of their agencies to waste, fraud and abuse; and make periodic reviews to see if internal controls are working. Agency heads will have to report the results of these reviews to the President and the Congress. Top managers will be rated on how good a job they do in maintaining program controls.

The new guidelines are required by the Federal Managers' Financial Integrity Act, and build upon existing requirements in OMB Circular A-123, "Internal Control Systems."

Wright expressed appreciation for the assistance of the agencies in developing the guidelines, particularly the General Accounting Office, headed by Comptroller General Charles A. Bowsheer. The Act called for the OMB guidelines to be developed in consultation with the GAO. Wright said, "Without the help provided us by GAO, we never could have completed the guidelines in the time required by the Act. Their assistance was invaluable."

Wright pointed out that the Act passed both Houses of Congress because of strong bipartisan support, and added that he wants to work closely with Congress in assuring implementation of the new internal control guidelines, and on the entire REFORM '88 program.

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